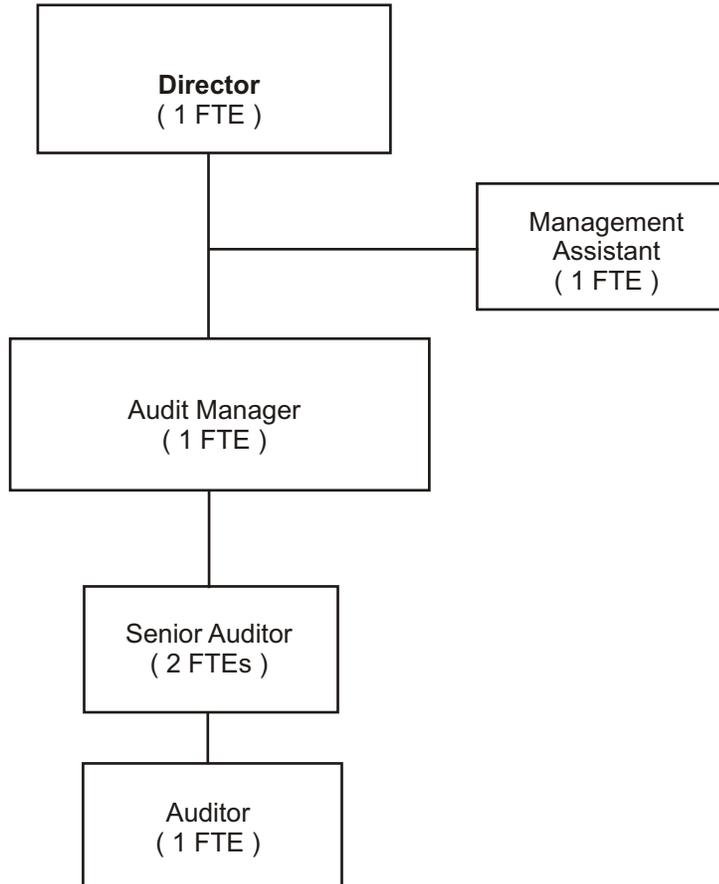




Department of Audit Services

(6 FTEs)



DEPARTMENT OF AUDIT SERVICES

Mission:

To provide independent, objective, assurance and consulting services that facilitate decision-making, and enhance the efficiency of government services.

RESOURCE ALLOCATION

	Actual FY 2000-01	Adopted FY 2001-02	Estimated FY 2001-02	Adopted FY 2002-03	Change
Appropriations					
Personal Services	\$ 265,834	\$ 265,678	\$ 252,833	\$ 401,628	51.2%
Operating	28,011	3,576	3,853	24,915	596.7%
Capital	-	-	-	13,561	
Total Appropriations	\$ 293,845	\$ 269,254	\$ 256,686	\$ 440,104	63.5%
Full Time Equivalents	4	4	4	6	2
Part-time FTEs	-	-	-	-	-
Revenues					
General Fund					
Discretionary	\$ 293,845	\$ 269,254	\$ 256,686	\$ 440,104	63.5%
Total Revenues	\$ 293,845	\$ 269,254	\$ 256,686	\$ 440,104	63.5%

FY 2002-03 BUDGET ISSUES

The proposed FY 2003 budget allows for an increased level of service to all City departments. Funding in the following areas will be used to support this enhanced role:

- **Staffing:** The addition of an Audit Manager and Senior Auditor to the current audit staff is needed to implement the approved strategic audit plan and to perform audit services including financial and compliance audits, investigations and reviews of internal and external organizations doing business with the City, according to government audit standards. Increased staff is also needed to administer the City's annual audit contract and contracts with other external auditors, monitors, or consultants performing audit or assurance services to the City. Quarterly reports of audits and other activities to the Audit Committee and City Council will be a new requirement of the Audit Services Department
- **Training Funds:** The first general standard of the General Accounting Office's government auditing standards concerns auditor qualifications. Funds previously unavailable in the department are now required to enable audit staff to receive required training related to the government environment and to government auditing.
- **Audit tools and Library resources:** There is a need for PC based data extraction and analysis, continuous monitoring, and fraud detection software to maximize staff efforts in gathering audit evidence. This software will allow staff to perform statistical sampling of financial transactions and identify trends in spending patterns, irregularities and deviations from the normal processing cycle. Additionally, the department needs to obtain current professional auditing and accounting literature, subscriptions, and professional standards, such as Governmental Accounting Standards Board pronouncements, American Institute of Certified Public Accountants' Statement on Auditing Standards, Government Auditing Standards, and Financial Accounting Standards Board's generally accepted accounting principles.
- **Laptop computers and computer upgrades:** Laptop computers used on-site permit audit staff to generate working papers and draft reports more quickly, decreasing the time lapse between the end of field work and issuance of the draft report. Computer purchases for additional audit staff and upgrades for existing staff will increase the efficiency of the audit and reporting process.

- Office furniture and equipment: Office furniture and equipment will be required for additional audit staff.

SUPPORT OF CITY COUNCIL PRIORITIES

Fiscal Responsibility:

- Provide an audit function with an expanded role in safeguarding City assets by helping to ensure:
 - Public resources are used in accordance with established laws and regulations; and
 - Government services are provided efficiently.

DEPARTMENTAL EFFICIENCY MEASURES

- Through the utilization of audit software, the department will be able to perform data analysis and extraction processes, continuous monitoring, and fraud detection processes for increased audit coverage of City functions.
- The department has formalized the audit planning and evidence gathering process by assessing audit project risk, using written audit programs and restructuring the audit review process.

UNFUNDED ITEMS

- All requested services and items are supported by this budget.

PROGRAMS

Audit Services

\$440,104
6 FTE's

Auditing is an independent appraisal function designed to examine and evaluate activities within the City as a service to management and elected officials. Auditing is a managerial control that measures and evaluates the effectiveness of other controls. External entities are also reviewed to determine whether revenues have been properly remitted to the City and whether grant or pass-through funds are appropriately utilized. The Audit Department conducts financial, compliance, performance, and information systems audits and reviews, and performs investigations and special reviews.

GOAL: Implementation of Audit Services Department Strategic Plan that includes standards set forth by the U.S. General Accounting Office – Yellow Book Audit Standards.

OBJECTIVE: Provide effective department leadership with appropriate oversight

STRATEGIES: Present annual audit plan and quarterly activity reports to Audit Services Oversight Committee.

MEASURE:	Actual	Adopted	Estimated	Adopted
# reports presented to the oversight committee	FY 2001	FY 2002	FY 2002	FY 2003
				5

OBJECTIVE: Maintain and obtain training and certification for staff as required by GAO standards

STRATEGY: Meet GAO's continuing professional education requirements

MEASURE:	Actual	Adopted	Estimated	Adopted
	FY 2001	FY 2002	FY 2002	FY 2003
• # hours completed by Audit Director				40
• # hours completed by Audit Manager				40
• # hours completed by Senior Auditor 1				40
• # hours completed by Senior Auditor 2				40
• # hours completed by Auditor				40

OBJECTIVE: Implement the Committee of Sponsoring Organizations (COSO) of the Treadway Commission concept concerning training management and administrative personnel to recognize the need for controls to ensure that resources are used judiciously and that physical assets are protected.

STRATEGY: Meet with each department director twice a year to discuss departmental controls, internal control concerns and obtain input for the development of the risk-based annual audit plan.

MEASURE:	Actual FY 2001	Adopted FY 2002	Estimated FY 2002	Adopted FY 2003
# department visits				40

OBJECTIVE: Provide services that help ensure public resources are used in accordance with established laws and regulations and that government services are provided efficiently.

STRATEGY: Complete 8 comprehensive audits or reviews

MEASURE:	Actual FY 2001	Adopted FY 2002	Estimated FY 2002	Adopted FY 2003
# comprehensive audits or reviews completed				8

INITIATIVES COMPLETED FY 2001-2002

- Performed audits or special reviews in three key areas: project management, overtime compensation, and parking enforcement
- Performed year end inventory test counts
- Reviewed participant eligibility criteria for WIA Title II and Welfare to Work programs
- Prepared quarterly and annual Non-City Agency Reports
- Recommended financial policies and procedures for Non-City Agencies
- Participated in an extensive assessment by external consultants of the Internal Audit Function
- Designed and conducted a survey of 30 internal audit departments to benchmark the City of Durham's Internal Audit Department
- Developed new audit charter
- Developed written policies and procedures
- Developed specific training, career development and certification plans for audit staff
- Developed a strategic plan for reorganization of the audit function, including plans for a risk based annual audit plan and the implementation of internal audit best practices
- Recommended establishment of Audit Services Oversight Committee

MAJOR INITIATIVES FY 2002-2003

- Implementation of Audit Services strategic plan, including a risk-based annual audit plan
- Incorporate additional senior audit staff in Audit Services Department
- Develop and implement training modules on the need for departmental internal controls to raise awareness and improve accountability within the organization
- Complete 8 comprehensive audits or reviews
- Adoption of internal policies and procedures that incorporate audit best practices and Yellow Book Audit Standards
- Develop, obtain, and organize Audit Services library resources
- Develop internal auditing manual
- Develop and train audit staff per GAO standards
- Establish format for activity reporting and communication with the Audit Services Oversight Committee